

NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC's office in Suite 101 of the State Capitol Building North.

F I S C A L I M P A C T R E P O R T



SPONSOR: Maes **DATE TYPED:** 02/09/02 **HB** _____

SHORT TITLE: Individual Development Accounting Act **SB** 347

ANALYST: Sandoval

APPROPRIATION

Appropriation Contained		Estimated Additional Im- pact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
	\$250.0			Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HB 54 and SB 322

SOURCES OF INFORMATION

LFC files

Responses Received

- Children Youth and Families Department (CYFD)
- Division of Vocational Rehabilitation (DVR)
- Financial Industries Division of the Regulation and Licensing Department
- Economic Development Department

No Response

Department of Finance and Administration (DFA)

SUMMARY

Senate Bill 347 establishes the Individual Development Account Act, to be administered by the Local Government Division (the division) of the Department of Finance and Administration. The purpose of this act is to develop individual development account (IDA) programs that will establish and administer IDAs and reserve accounts for eligible individuals and to provide financial training. IDA funds and matching reserve funds are to be used by account owners for allowable uses or emergencies as defined by rules to be adopted by the division director. Allowable uses include expenses to attend post-secondary educational or vocational institutions, costs to acquire or construct a first time primary residence, major home improvements or repairs, starting or ex

panding a business and acquiring a vehicle necessary for the account owner to obtain or maintain employment.

Indian tribes and nonprofit organizations may apply to administer IDA programs. The division is authorized to terminate non-compliant IDA programs if such programs are not appropriately administered. Money in an IDA will not be counted against the account owner's eligibility under the New Mexico Works Act, Medicaid, food stamp programs and Temporary Assistance to Needy Families (TANF).

Synopsis of Bill

Senate Bill 347 appropriates \$250.0 from the general fund to the Local Government Division of the Department of Finance and Administration for the purpose of administering and implementation of the Individual Development Account Act. No more than five percent (\$12.5) of this allocation is to be used for administrative costs.

Significant Issues

- IDAs are for eligible individuals who meet specific earned income criteria and are to be used for specific purposes to be identified by state statute and rules adopted by the director.
- On an annual basis, the division is to solicit a request for proposals from nonprofit organizations or tribes interested in establishing an IDA program.
- This bill also creates an advisory committee that is to provide oversight, suggest possible changes and is to be composed of the division director and eight members that are appointed by the division director to represent the state geographically.
- A limited version of this proposed program currently exists under the New Mexico Works Act; Section 27-2B-10 NMSA 1978.
- The division shall use no more than 5 percent of the money appropriated to fund and administer this Act.

FISCAL IMPLICATIONS

The appropriation of \$250.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY03 shall revert to the general fund.

Continuing Appropriations

There is no language contained in this bill for the continued funding of this program. This program will require continued funding to insure its success and continued operation.

TECHNICAL ISSUES

- The accumulation of interest in the owner's account and for the designated matching funds in the reserve fund is not fully addressed in this bill.

- Account owners are to complete a financial education program prior to withdrawing money from their accounts. This bill does not mention what happens to the money deposited by the owners if the owners do not complete the mentioned financial education program.
- This bill appears to expand this program and the duties of the department while eliminating the current version of this program, as it exists in the New Mexico Works Act.
- The description “a proportionate” on page 9, line 12 of this bill can be rewritten to say “the designated” to make the meaning of this sentence more clear to the reader and more consistent with other language contained in this bill.

OTHER SUBSTANTIVE ISSUES

- The owner of and IDA has ninety days to re-deposit unauthorized withdrawals so that proportionate matching funds are not forfeited.
- The director is to make an annual report each November to the Governor and to an appropriate interim committee of the New Mexico Legislature.

POSSIBLE QUESTIONS

1. Is an account owner not allowed to withdraw their own contribution to the IDA if they do not complete a financial education program?
2. Is the question of accumulated interest in IDAs and reserve funds to be addressed in the rules to be adopted by the director?
3. Is the mention of forfeiture of matching funds, unless an amount equal to the un-allowed withdrawn amount is re-deposited within 90 days, mentioned because of a possible loss of accumulated interest in designated matching funds? If not, what is the penalty, deterrent or reason for this part of the bill (Section 8, subsection B.)?
4. What funding sources are to be used for the continued operation of this program?
5. How is this program as it currently exists in the New Mexico Works Act funded?
6. Will this program continue to be funded as it is now?
7. Will this bill expand the IDA program?
8. How are matching funds determined?

JFS/ar